

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 STRE-00 AID-05 CIAE-00  
COME-00 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00  
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 L-03  
H-01 /065 W

-----004036 222144Z /63

R 212239Z APR 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 7318

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PASS STR ELECTRONICALLY, TREASURY, EXIMBANK

E.O. 11652: GDS  
TAGS: ENRG, JA, US  
SUBJECT: TALKS ON JAPANESE INVESTMENT IN US COAL  
GASIFICATION PROJECT FAIL

REF: STATE 45267 AND PREVIOUS

1. MITSUI EXECUTIVE DIRECTOR YAMASHITA CALLED ON ECMIN  
BUTTON TUESDAY AFTERNOON TO BRIEF HIM ON SUSPENSION OF  
DISCUSSIONS WITH AMERICAN NATURAL RESOURCES/PEOPLES GAS  
OVER JAPANESE PARTICIPATION IN PROJECT TO PRODUCE GAS  
WITH NORTH DAKOTA COAL FOR CHICAGO AREA. YAMASHITA  
ATTRIBUTED BREAKDOWN TO INABILITY TO AGREE ON CONDITIONS  
OF JAPANESE PARTICIPATION IN FINANCING, AS WELL AS  
POSSIBILITY THAT NEW ENERGY LEGISLATION IN THE US NOW  
MAKES IT POSSIBLE FOR ANRC/PGC TO OBTAIN REQUIRED  
FINANCING IN US. HE ALSO SAID THAT HE UNDERSTOOD THAT  
THE US PROMOTERS ARE TRYING TO PUT TOGETHER  
A US CONSORTIUM TO OBTAIN SUCH FINANCING, AND POSSIBLY TO  
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EXPAND THE PROJECT TO INCLUDE FOUR OR FIVE MIDWESTERN  
STATES.

2. YAMASHITA SAID MITSUI MADE THE FOLLOWING OFFER, WITH  
MITI AND EXIMBANK ENCOURAGEMENT:

A) EXIMBANK FINANCING ON YEN BASIS FOR \$300 MILLION;

INTEREST 8.5 PERCENT, REPAYMENT 5-8 YEARS AFTER SHIPMENT OR COMMISSIONING, AND 50 PERCENT TIED TO JAPANESE PROCUREMENT.

- B) COMMERCIAL BANK FINANCING FOR ADDITIONAL \$380 MILLION, WITH FLOATING INTEREST RATE, FOR FIVE YEARS.

C) CONTENTS OF RECOURSE GUARANTEE (E.G. COMPLETION GUARANTEE, TAKE OR PAY CONTRACT, DEFICIENCY GUARANTEE) WOULD BE SUBJECT TO MITI AND EXIMBANK APPROVAL, AND COMMERCIAL BANKERS' ACCEPTANCE.

3. ANRC/PGC (SEDER) NOTIFIED MITSUI ON APRIL 5 THAT LATTER'S PROPOSAL WAS UNACCEPTABLE ON FOLLOWING POINTS:

A) MITSUI PROPOSAL LACKS NON-RECOURSE GUARANTEE. ONLY OBLIGATION WHICH ANRC/PGC WOULD ACCEPT IS PROJECT COMPLETION GUARANTEE OR TAKE OR PAY ARRANGEMENT. PROJECT WOULD BE SET UP AS SUBSIDIARY CORPORATION.

B) ANRC/PGC UNWILLING ACCEPT EXCHANGE RATE RISK;

C) FINANCING PERIOD MUST BE FOR 8-10 YEARS, INSTEAD OF 5-8.

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D) FLOATING INTEREST RATE FOR COMMERCIAL BANK LOAN UNACCEPTABLE.

4. ALTHOUGH ACTIVE DISCUSSION OF THIS PROJECT BETWEEN MITSUI AND THE US PROJECT PROMOTERS SEEMS TO BE OVER FOR THE TIME BEING, YAMASHITA SAID HE HAD BEEN TOLD THAT POSSIBILITY STILL EXISTS OF FURTHER DISCUSSIONS FOLLOWING THE FORMATION OF THE ABOVE-MENTIONED CONSORTIUM.

5. EMBASSY WILL CONTINUE TO HOLD TO POLICY POSITIONS SETFORTH IN DEPARTMENT'S INSTRUCTIONS. MANSFIELD

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## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Date:** 20 Mar 2014  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014